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Research.

Strengthening Budget Performance in the Public Sector: The Interplay of Accountability, Transparency, Supervision, Employee Competence, and Religiosity

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Abstract. This study examines the effects of accountability, transparency, supervision, employee competence, and religiosity on budget performance in the public sector. Effective budget performance is a key indicator of good public governance, making it essential to identify the factors that enhance the quality of budget management. The study uses a quantitative approach with a survey method of the apparatus involved in the budget management process at UIN Salatiga with a Saturated Sample. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) to evaluate the relationships among the proposed variables. The findings reveal that accountability, transparency, supervision, employee competence, and religiosity all have positive and statistically significant effects on budget performance. Among these determinants, employee competence exerts the strongest influence, followed by accountability and transparency. These results suggest that strengthening human resource capabilities, supported by accountable and transparent governance practices, effective supervisory mechanisms, and ethical values reflected in religiosity, can substantially improve public budget performance. The study contributes to the literature on public sector governance by providing empirical evidence on the multidimensional determinants of budget performance and offers practical insights for policymakers seeking to enhance sustainable public financial management.

Keywords: accountability; transparency; supervision; employee competence; religiosity; budget performance; public sector.

INTRODUCTION

In the public economy, budget governance based on the principles of good governance includes accountability, information transparency, supervisory efficiency, and human capital capacity which are the main pillars in optimizing the limited allocation of state resources (Chen & Neshkova, 2020). These four aspects serve as policy instruments to minimize the risk of market imperfections and ensure that each unit of public expenditure has an impact on the optimal well-being of public services (Terzo & Meliciani, 2026). However, in operational policy reliance, the public sector, in this case, including Islamic religious state higher education institutions (UIN), is often trapped in the anomaly of budgetary slack or the phenomenon of spend it ot lose it. Quantitatively biased policy focus sacrifices aspects of allocation efficiency and value for money. As a result, there can be inefficiency of expenditure and low multiplier of benefits from public spending (Lhajhouji et al., 2026).

One of the cases that emerged was the alleged misuse of the UIN Jakarta campus construction budget that occurred in 2022. New building construction projects that cost tens of billions of rupiah are reported to have experienced delays, non-conformities in specifications, and cost *mark-up* indications . A report from the Audit Board (BPK) shows weaknesses in the internal supervision system and a lack of transparency in the procurement process of goods and services (BPK RI, 2022). In addition, the competence of employees in managing large-scale projects is considered inadequate, thereby increasing the risk of deviation. This case has been in the public spotlight because it involves higher education institutions that should be role models in clean and accountable financial governance (Samsul & Widjaya, 2023). In addition, the West Sumatra High Prosecutor's Office (West Sumatra Prosecutor's Office) detained a former Expenditure Treasurer related to alleged corruption and gratuities worth Rp 976 million in the campus 3 construction project at UIN Imam Bonjol Padang (sumbar.antara.news.com, 2026)

This phenomenon shows that accountability has not fully become a culture in budget management in the university environment. When responsibility for the use of public funds is not carried out in a disciplined and open manner, the risk of irregularities increases. Weak transparency in the budget planning and reporting process also hinders stakeholder participation, including academia and the public (Ballesteros & Bisogno, 2022). Meanwhile, non-optimal supervision opens up loopholes for manipulative practices and non-data-driven decision-making. On the other hand, low employee competence in technical and managerial aspects also worsens the effectiveness of budget implementation (Yunaniah & Firmansyah, 2024). Empirically, previous literature has tried to map the determinants of public sector performance policies. A study by Pertiwi & Satriawan (2022) in DKI Jakarta shows that accountability and supervision have a significant effect on value-for-money budget performance, while transparency does not show a significant effect (Harnovinsah et al., 2022). On the other hand, research by UIN Sunan Gunung Djati Bandung highlights that employee competence and financial literacy have a positive impact on the efficiency of budget management in universities. However, most of these studies have not specifically examined the context of religious colleges and have not examined the relationships between variables in a single comprehensive structural model.

In addition, there have not been many studies that consider personal value factors such as religiosity in their influence on budget management. In fact, institutions such as UIN have strong religious characteristics, and spiritual values such as honesty, responsibility, and integrity should be strengthened in the implementation of the budget (Zikrawahyu, 2024). Religiosity has the potential to be a moderator variable that strengthens the relationship between accountability, transparency, supervision, and employee competence on budget performance. However, the role of religiosity is still rarely empirically tested in the public management literature, especially in the context of religious-based higher education (Muawanah et al., 2024). However, there is a research gap in the accounting literature in the current economic and public sector contexts, as most studies have not examined accounting variables in the context of the public sector.

Based on the identified research gaps, an important question remains unanswered: Do accountability, transparency, supervision, employee competence, and religiosity simultaneously influence budget performance in the context of Indonesian State Islamic Universities (UIN)? Although previous studies have investigated these variables individually or in different public sector settings, empirical evidence within Islamic higher education institutions remains limited and fragmented. Therefore, this study seeks to address this issue by examining whether these governance and individual factors collectively contribute to improving budget performance in UIN Salatiga.

This research aims to fill this gap by simultaneously examining the influence of accountability, transparency, supervision, employee competence, and religiosity on budget performance, especially in the context of religious universities at UIN Salatiga. The selection of UIN Salatiga is a strategic economic and policy consideration because UIN Salatiga is a representative of PTKIN in Indonesia with the acceleration of institutional status from IAIN to UIN which demands a massive expansion of budget policies, especially in the form of working capital, as well as consistently adopting accountable governance principles and becoming a pilot project of WBBM in Indonesia. This research provides a theoretical contribution in the development of budget governance literature, as well as practical recommendations for policy makers in strengthening the supervisory system and integrity values in the higher education environment as a public sector body that focuses on public services.

LITERATURE REVIEW

Agency Theory

This research refers to the theory of public sector accounting and the principles *of good governance* accountability, transparency, and supervision which are associated with the concept *of Value for Money* (economy, efficiency, effectiveness) as the basis for evaluating budget performance (Halim, 2012). Implicitly, *Agency Theory is also used* which explains the relationship between *principals* (public) and *agents* (government), who are vulnerable to conflicts of interest and information inequality. Jensen & Meckling's (1976) theory emphasizes the importance of contracts, incentives, and oversight to reduce agency costs. Recent research shows that *Agency Theory* remains relevant in understanding organizational structures and control systems in various sectors (Jensen & Meckling, 1976). The integration of these theories forms a strong conceptual framework for assessing the effectiveness of budget management and value-based public governance (Hendrastuti & Harahap, 2023).

Within the *framework of Agency Theory*, the relationship between *principals* and *agents* is influenced by accountability, transparency, supervision, and employee competence as key factors in improving budget performance. Accountability and transparency function as controls to reduce the risk of moral hazard, while supervision strengthens monitoring, and competence ensures efficient budget implementation (Egbon et al., 2023). Religiosity acts as a moderator that strengthens the influence of these factors by encouraging integrity and moral responsibility in the management of public finances (Koufie et al., 2024). This theory provides a solid foundation for understanding how organizational structure and personal values together affect the effectiveness of public sector budgets.

Budget Performance

Budget performance is a measure of the effectiveness and efficiency of the use of public funds in achieving goals that have been set by the government or organization. In the *performance-based budgeting* approach, the main focus is not only on the amount of funds allocated, but on the real results achieved through the use of the budget. This system emphasizes the linkage between *inputs* (resources), outputs (results of activities), *outcomes* (perceived benefits), and *impact* (long-term impacts) of each program or policy (Abbasov, 2025). The goal is to improve the accountability, transparency, and quality of fiscal decision-making, so that the budget becomes not only a financing tool, but also a strategic instrument to promote sustainable and results-oriented development (Ballesteros & Bisogno, 2022).

In the perspective of *Agency Theory*, budget performance reflects the results of the contractual relationship between *the principal* (public or public authority) and *agent* (public official or manager) in financial management (Ariza et al., 2023). This theory highlights conflicts of interest due to differences in objectives and unbalanced information. Therefore, budget performance is not only seen from fiscal achievements, but also from the effectiveness of supervision, transparency, and accountability in reducing *agency costs*. The implementation of governance such as information disclosure and internal control is the key to efficiency and budget conformity with public objectives (Nasrawin et al., 2025).

Accountability

Accountability is the obligation of an individual or organization to account for actions, decisions, and performance to the assessing authority. In the public sector, accountability reflects a commitment to transparency, integrity, and regulatory compliance, and is realized through clear and accessible reporting by the public or relevant authorities (Berkowitz et al., 2023). More than just reporting, accountability also includes evaluating the implementation process as the basis for performance improvement. Thus, accountability becomes the foundation of good governance, playing a role in preventing abuse of authority and strengthening public trust in institutions (W. Li et al., 2024). In the framework of *Agency Theory*, accountability is the obligation of an agent to account for actions and decisions to the *principal* who has the right to assess and supervise their performance. This theory highlights the potential for conflicts of interest due to differences in objectives and unbalanced information, so that accountability serves as a controlling mechanism for agents to continue to act in accordance with the *principal's interests* (A. Li, 2024). The accountability relationship involves three main elements: the agent as the executor, the principal as the assessor, and the accountability rules as the guidelines for interaction. In practice, accountability includes reporting, transparency, clarity of information, and the application of sanctions for irregularities, which aim to reduce *agency costs* and strengthen public trust in organizational management (Fathirah et al., 2024).

Transparency

Transparency is a principle of openness that ensures the availability of accurate, honest, and accountable information for all interested parties. In the public sector, transparency is realized through the open delivery of relevant information related to the planning, implementation, and policy outcome process, thus allowing the public to monitor and provide input (Yumame, 2024). This principle not only reflects integrity and accountability, but also plays an important role in reducing the information gap between the government and the public. When transparency is implemented effectively, public trust increases, public participation grows, and the risk of irregularities such as corruption can be suppressed (Alessandro et al., 2021). More than just opening up data, transparency demands that information be presented clearly, easily accessible, and used to strengthen good governance. Within the framework of *Agency Theory*, transparency acts as a mechanism to reduce information inequality between *principals* and *agents*. As agents master more information, the risk of conflicts of interest and opportunistic behavior increases, so transparency becomes an important control tool for *principals* to objectively assess and supervise *agent* actions (Thanigaimani & Reddy P, 2024). In public organizations, information disclosure strengthens accountability and creates more balanced relationships, while limiting opportunities for abuse of authority (Alessandro et al., 2021). Thus, transparency is not only open data, but also a strategy to reduce *agency costs*, build trust, and improve the quality of decision-making.

Supervision

Supervision is a systematic process to ensure the implementation of the budget in accordance with the plan, objectives, and standards set. This activity includes monitoring, evaluation, and assessment of the use of public funds to remain efficient, effective, and free from irregularities (ElBerry & Goeminne, 2021). As a control tool, supervision compares budget realization with planning, as well as encourages corrective action if discrepancies or potential wastes are found (Abbasov, 2025). The practice involves internal and external audits, periodic reporting, and performance analysis. The main goal is to maintain financial integrity, strengthen accountability, and build public trust in budget management institutions (Bostan et al., 2021). With effective supervision, budget performance becomes more directed, transparent, and results-oriented for the benefit of the community. Within the framework of *Agency Theory*, budget supervision serves as a control mechanism to limit the opportunistic behavior of *agents* acting on behalf of *principals*, such as the public or public authorities. The information disparity between the two makes supervision important to ensure that the budget is used efficiently, transparently, and in accordance with the set goals (Adie & Anam, 2024). Supervision aims to reduce *agency costs* that arise due to *the actions* of agents that deviate from the principal's interests. Therefore, supervision is not only administrative, but also strategic, through audits, performance evaluations, and public reporting that allow *principals* to conduct assessments and interventions when necessary (Lamoreaux et al., 2024). The stronger the supervision system, the smaller the risk of moral hazard and the higher the quality of budget management.

Employee Competencies

Employee competence is an important element that affects budget performance in public organizations. Competencies include knowledge, skills, attitudes, and behaviors that support the effective and efficient execution of tasks (Bancoro et al., 2025). Employees who have good technical and managerial skills are able to plan, manage, and evaluate budgets appropriately and accountably. This has a positive impact on the effectiveness of budget absorption and the achievement of work targets (Murtini et al., 2021). With a strong understanding of regulations and financial systems, employees tend to make more rational and responsible budget decisions, so that the quality of public financial management improves. In the framework of *Agency Theory*, employee competencies play a strategic role in improving budget performance because they affect the quality of the relationship between *principals* and *agents*. Information inequality and differences in interests between the two can cause *agency problems*, such as budget abuse or the implementation of programs that are not on target (Yunaniah & Firmansyah, 2024). Employees who are competent in terms of knowledge, skills, and professional attitudes are better able to carry out their duties appropriately, efficiently, and according to *the principal*'s expectations (Lundqvist et al., 2023). Competence also contributes to reducing *agency costs*, as agents who understand their responsibilities are more likely to avoid technical errors and submit transparent reports. Thus, improving competence not only improves budget implementation, but also strengthens accountability and public trust in organizational governance (Sukimon et al., 2021).

Research Hypothesis

In the framework of *Agency Theory*, accountability (X1) acts as a control mechanism that strengthens the relationship between principal and agent in budget management (Y). Information disparities between the two can trigger conflicts of interest and opportunistic behavior, so accountability is needed to ensure agents act in accordance with the principal's interests through transparent reporting and evaluation (Safdari et al., 2023). When accountability is applied consistently, the risk of irregularities decreases, public trust increases, and budget effectiveness improves. Accountability is an important foundation in driving quality governance and results-oriented budget performance (Gregory & Theresia, 2024). Accountability contributes positively to budget performance because the higher the level of accountability, the greater the chance of achieving efficient, transparent, and results-oriented budget management (Wang et al., 2025). Through reporting, evaluation, and public participation, accountability encourages the application of value for money principles in budgeting. When public organizations consistently carry out accountability, the planning and reporting processes become more structured and reliable, thereby strengthening financial governance and increasing public trust (Fathirah et al., 2024).

H1: Accountability has a positive effect on budget performance

Within the framework *of Agency Theory*, transparency (X2) plays an important role in improving budget performance (Y) by reducing information asymmetry between principal and agent. When budget information is presented openly, principals can monitor and evaluate agent performance more effectively, so that opportunistic behavior can be suppressed (Rotinsulu et al., 2021). Transparency reflects the organization's responsibility in managing an open budget and oriented to value for money. In addition to strengthening accountability, transparency also serves to reduce agency costs and encourage efficiency and effectiveness in public financial management (Guillamón et al., 2024). Transparency (X2) has a positive effect on budget performance (Y) because information disclosure allows the process of planning, implementing, and evaluating budgets to take place more effectively and accountably. With public access to financial data, participation and oversight increase, so potential irregularities can be suppressed (Krah & Mertens, 2023). Transparency supports *a value for money* approach, where budget efficiency and benefits are the main focus. When organizations consistently publish budget information openly, public trust grows and budget implementation becomes more targeted (Jung & Kim, 2025). Therefore, transparency is not just an ethical principle, but a managerial strategy that strengthens the quality of budget governance.

H2: Transparency has a positive effect on budget performance

Within the *framework of Agency Theory*, supervision (X3) acts as a control mechanism to reduce the risk of deviations due to conflicts of interest and *information asymmetry* between *principals* and *agents*. As agents master more information, the potential for opportunistic behavior increases. Therefore, oversight carried out internally, externally, and through public participation is key to ensuring that budgets are run efficiently, accountably, and according to purpose (Mohangi & Nyika, 2023). Strong oversight helps maintain alignment between budget implementation and organizational strategy, while lowering *agency costs* and moral hazard risks (Guillamón et al., 2024). Thus, supervision is not just an administrative function, but a strategic instrument in strengthening the performance of the public budget. Supervision (X3) has a positive effect on budget performance (Y) because it functions as a control mechanism to ensure budget implementation according to plan, efficient, and accountable. Through audits, evaluations, and public engagement, oversight helps detect irregularities, enforce compliance, and encourage the implementation of *value-for-money programs* (Bogere et al., 2021). When carried out systematically and continuously, supervision is able to reduce the risk of moral hazard and increase the accuracy of budget targets. Thus, supervision not only controls, but also strengthens the quality of public financial governance (Awodiran et al., 2024).

H3: Supervision has a positive effect on budget performance

In the framework of *Agency Theory*, employee competence (X3) has a positive effect on budget performance (Y) because it is able to reduce the risk *of agency problems* due to differences in interests and information disparities between principals and agents (Bethencourt & Perera-Tallo, 2024). Employees who are competent in technical, managerial, and professional integrity aspects are better able to carry out their duties precisely, transparently, and according to standards. This reduces *agency costs* and increases the efficiency and effectiveness of budget management (Gregory & Theresia, 2024). Thus, competence becomes a reinforcement of internal control that supports the achievement of optimal and accountable budget performance. Employee competencies (X3) have a positive effect on budget performance (Y) because their abilities, knowledge, and skills are the basis for planning, implementing, and evaluating budgets effectively. Competent employees understand regulations, develop realistic programs, and manage resources efficiently and accountably (Muzakky & Wulansari, 2024). The higher the competence, the better the absorption and implementation of the budget, and the less risk of errors and waste. Competence includes not only technical aspects, but also professional attitudes and responsibilities in the management of public funds, thus encouraging optimal and results-oriented budget performance (Yunaniah & Firmansyah, 2024).

H4: Employee competence has a positive effect on budget performance

In the framework of *Agency Theory*, religiosity plays a role as a factor in budget performance (Y). In the context of PTKIN, the ethical behavior of agents affects the responsibility in carrying out the principal's mandate. Information inequality and conflicts of interest can trigger *agency problems*, such as budget misuse or inaccurate reporting (Haninda & Elfita, 2022). As an internal value based on religious teachings, religiosity encourages agents to act honestly, responsibly, and oriented towards the public interest. Employees with a high level of religiosity tend to be consistent in their responsibilities as budget implementers so that they become more transparent, efficient, and in accordance with organizational goals (Mat et al., 2021). Thus, religiosity strengthens the *moral commitment of agents*, and improves the quality of public financial management.

H5: Religiosity has a positive effect on budget performance

RESEARCH METHODS

This study uses a quantitative approach with *a cross-sectional* survey method, where data is collected at a single point in time to obtain a picture of the relationship between variables simultaneously. The analysis was carried out using *Structural Equation Modeling* statistical techniques based on *Partial Least Squares* (SEM/PLS) (Kono & Sato, 2023). The sample in this study uses a saturated sample technique, namely all members of the population who meet the criteria will be made as respondents as many as 61 Commitment Making Officials at Salatiga State Islamic University. The criteria used are individuals who play the role of budget managers (such as treasurers, heads of finance) and budget users (such as activity implementers or heads of work units). The instrument used in this study was a structured questionnaire based on a Likert scale of 1–5, in which respondents were asked to rate each statement ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) (Koo & Yang, 2025).

RESULTS AND DISCUSSION

Results

Table 1. Measurement Evaluation Model

Latent Variable	Variable	Convergent Validity	Internal Composite Reliability			Discriminant Validity
		Loading	C.A	C.R	AVE	HTMT
		<0,70	<0,70	<0,70	<0,50	>1
X1 Akuntabilitas	X1.1	0,788	0,830	0,880	0,595	YES
	X1.2	0,762				
	X1.3	0,774				
	X1.4	0,770				
	X1.5	0,763				
X2 Transparansi	X2.1	0,741	0,832	0,881	0,599	YES
	X2.2	0,792				
	X2.3	0,785				

	X2.4	0,832				
	X2.5	0,712				
X3 Pengawasan	X3.1	0,849	0,898	0,924	0,710	YES
	X3.2	0,878				
	X3.3	0,841				
	X3.4	0,865				
	X3.5	0,776				
X4 Kompetensi pegawai	X4.1	0,804	0,870	0,904	0,655	YES
	X4.2	0,809				
	X4.3	0,837				
	X4.4	0,846				
	X4.5	0,746				
X5 Religiusitas	X5.1	0,814	0,875	0,909	0,667	YES
	X5.2	0,783				
	X5.3	0,870				
	X5.4	0,786				
	X5.5	0,825				
Y Kinerja Anggaran	Y1	0,793	0,858	0,895	0,632	YES
	Y2	0,871				
	Y3	0,728				
	Y4	0,857				
	Y5	0,713				

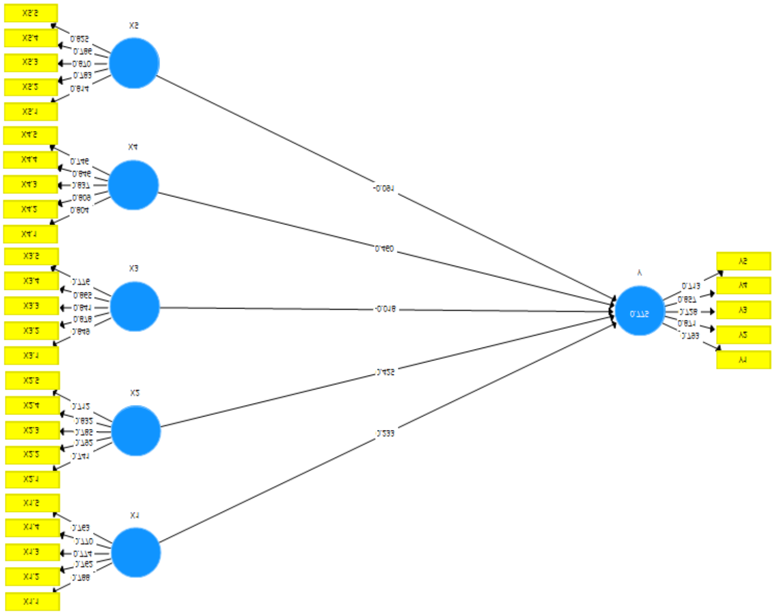

Figure 1. Developing Smart PLS measurement model

Table 2. Hypothesis Test Result

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1 -> Y	0,371	0,371	0,107	3,458	**0,001**
X2 -> Y	0,334	0,321	0,103	3,232	**0,001**
X3 -> Y	0,223	0,220	0,108	2,057	**0,040**
X4 -> Y	0,481	0,489	0,123	3,917	**0,000**
X5 -> Y	0,068	0,071	0,083	2,814	**0,016**

Discussion

The Effect of Accountability on Budget Performance

The test results showed that accountability had a positive and significant effect on budget performance (β = 0.371; p = 0.001). These findings indicate that the better the accountability mechanism in the management of public finances, the higher the quality of achieving budget targets. Accountability encourages each work unit to carry out budget planning, use, and reporting consistently in accordance with regulations and performance targets that have been set. From the perspective of *agency theory*, accountability reduces conflicts of interest between the government as an agent and the community as a principal through clear reporting and evaluation mechanisms. From a *good governance* perspective, accountability improves fiscal discipline, minimizes deviations, and strengthens *results-oriented budgeting*. Therefore, improving the accountability system is an important instrument in increasing the effectiveness of public sector budget management.

The Effect of Transparency on Budget Performance

Transparency has been shown to have a positive and significant influence on budget performance (β = 0.334; p = 0.001). The disclosure of information about the process of preparing, implementing, and reporting the budget allows stakeholders to conduct more effective supervision so as to improve the quality of decision-making. These findings support the principle *of good governance* that adequate access to information will reduce information asymmetry, increase public trust, and encourage more efficient use of resources. Transparency also creates institutional pressure for organizations to maintain accountable and community-oriented budget management practices.

The Effect of Supervision on Budget Performance

The results showed that supervision had a positive and significant influence on budget performance (β = 0.223; p = 0.040), although the magnitude of the effect was relatively small compared to other variables. These findings show that internal and external supervision mechanisms continue to play a role in maintaining the conformity of budget implementation with applicable plans and regulations. Theoretically, the supervisory function acts as a control mechanism to detect irregularities, improve processes, and ensure the achievement of organizational goals. Effective supervision also reduces the chance of moral hazards and increases the compliance of the apparatus with public financial management standards. Thus, strengthening the audit and monitoring function can be a strategy to improve the quality of budget performance.

The Influence of Employee Competence on Budget Performance

Employee competence is the variable with the greatest influence on budget performance (β = 0.481; p < 0.001). This shows that technical ability, understanding of regulations, analytical skills, and experience of the apparatus are the dominant factors in determining the success of budget management. These findings confirm that the success of public financial management reform is not only determined by the system, but also by the quality of the human resources that run it. Competent employees are better able to prepare realistic plans, control budget implementation, and prepare quality financial reports so as to increase the effectiveness of the use of public funds.

The Influence of Religiosity on Budget Performance

Based on the results in Table 2 (β = 0.068; T = 2,814; p = 0.016), religiosity has a positive and significant effect on budget performance, although the magnitude of the influence is relatively small compared to other variables. These findings suggest that moral and ethical values derived from religiosity can strengthen individual integrity in carrying out financial management tasks. In the context of the public sector, religiosity can serve as an internal control mechanism that encourages honest, trustworthy, and responsible behavior thereby reducing the tendency to abuse authority. However, the relatively small coefficient indicates that the contribution of religiosity is more complementary than institutional factors and technical competence. Thus, improving budget performance requires integration between professional capacity and ethical values.

CONCLUSIONS AND SUGGESTIONS

This research proves that accountability, transparency, supervision, employee competence, and religiosity have a positive effect on budget performance. Among all these variables, employee competence is the most dominant determinant, showing that the quality of human resources is the main foundation for successful public sector budget management. In addition to the technical aspects, this study also emphasizes the importance of good governance through accountability, transparency, and supervision as a mechanism to reduce information asymmetry and increase the effectiveness of budget use. Meanwhile, religiosity makes an ethical contribution that strengthens the integrity of the apparatus in carrying out the function of public financial management. Overall, these findings support the integration of *agency theory* and *good governance* principles in explaining the factors that affect budget performance.

These findings reinforce the theoretical framework that effective budget management depends not only on professional ability, but also on personal integrity and openness of the system. Employee competence ensures that the process runs according to technical standards, religiosity provides moral direction so that budget objectives are aligned with the public interest, and transparency strengthens public trust and fiscal policy legitimacy. Theoretically, the combination of these three aspects forms a budget management model that is more valid, sustainable, and in accordance with the principles *of good governance*. This confirms that agency theory, governance, and public ethical values can be integrated to explain the effectiveness of budget performance in the context of the public sector. Efforts to improve budget performance are not enough to focus only on procedural aspects, but must also pay attention to strengthening human resource capacity and organizational governance. Government agencies need to prioritize improving employee competencies through continuous training, strengthening information technology-based accountability and transparency systems, and optimizing internal and external supervisory functions. In addition, fostering the values of integrity and religiosity can be a complement that supports the formation of an organizational culture that is honest, responsible, and oriented towards public services, so that budget management becomes more effective, efficient, and trusted by the public.

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